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INFORMATIONS ~~SECRET~~ REPORT

COUNTRY Ethiopia/India/French Somaliland

DATE DISTR. 22 Dec 1948

Discussion of Trade Agreement by Indian Good
Will Mission to Ethiopia

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1. During their visit to Ethiopia from 4-15 October 1948, the members of the Indian Good Will Mission held several discussions with the Ethiopian Ministry of Commerce concerning trade in cotton goods and wheat between India and Ethiopia. The mission was not empowered to conclude any agreement, but had been instructed to study the possibility of developing trade between the two countries.
2. The chief discussions centered around an agreement for the exchange of Ethiopian wheat for Indian cotton goods. The following proposals were considered:
 - a. The barter of wheat for cotton goods, with the transactions being handled by agencies of both governments.
 - b. The establishment by both countries of resident purchasing commissions that would purchase, at current prices, against credits obtained from reciprocal exports.
 - c. The appointment of commercial firms chosen by both countries to handle the transactions; both countries would guarantee the amounts to be exchanged.
3. In 1947 Ethiopia exported 120,575 tons of wheat. Under an agreement such as the one proposed, about 85,000 tons could be sent to India. During 1947 Ethiopia imported 696,123 pieces of cotton cloth and 1,426 tons of yarns, of which about 80 percent came from India. At prevailing rates, ten pieces of Indian cloth can be bought at the (Djibouti) price of \$E 250. This is the figure on which the Indian mission was willing to base discussions, and is about one-half the Djibouti price of a year ago.
- 6a () Comment. The price of wheat at Djibouti as of 4 November 1948 was \$E 250 per metric ton. The price of wheat at Adawa, the main collection point on the railroad, is \$E 160. Railway officials report that no wheat is being shipped from Djibouti and that none is being carried to Djibouti from the collection points. All warehouses at Djibouti are filled with wheat, much of which had been purchased for

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prices ranging from \$E 340-400 per ton. This wheat was formerly sold and transshipped to Palestine and the Balkans, via Italy, but the present low quality and high prices, along with Egyptian interference with shipments to Palestine, have caused complete cessation of trade. The Ethiopian Government is worried about this situation and is willing to take the necessary measures to improve the quality of the wheat. If the export of cereals should cease, the present serious tax situation will be aggravated.)

4. In the fall of 1947 India proposed an exchange agreement, whereby Ethiopia would receive twenty pieces of cloth in return for one ton of wheat. This agreement was to have run for one year. According to source, the transaction was "sabotaged" by the Ethiopian Minister of Commerce and officials of the Foreign Office, because it endangered a profitable, semi-official black market in the distribution of cotton goods. ~~Comment~~ 25X1A6a The Ethiopian Government is not at present in a position to negotiate an agreement for the sale of wheat to India, because it has no system for collecting the wheat and it is doubtful that one will be devised in time to handle this year's crop. There are no storage facilities in Ethiopia, and, if this year's crop should remain unsold, a drastic reduction in wheat will result in 1949.)
5. Ethiopia has sent a delegate to the United States to attend the Food and Agricultural Organization's Conference and to attempt to engage a company to handle the cleaning and grading of Ethiopian wheat for export. Source thinks that this, if successful, will necessitate government control over the purchase of wheat and will enable the government to enter into bulk transactions with other countries, as well as to impose some form of excise or export tax.

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